
Addendum Number 1 to DCED's Final Report on the Proposal to Consolidate the City of Fairbanks and the Fairbanks North Star Borough

March 16, 2001

The three respondents expressed concern in their July 2000 responsive briefs over the effect that consolidation would have on existing bed tax levies and economic development funding. The concerns centered on their understanding that the petition called for an areawide levy of the bed taxes while it also established economic development as a nonareawide borough power. If such were the case, the areawide taxes could not be utilized to fund nonareawide services.

On pages 58 and 59 of its Preliminary Report, DCED identified two ways to address those concerns. The first was to amend the petition to make economic development an areawide function. The second was to maintain the status quo for bed taxes and economic development powers. DCED indicated in the Preliminary Report that it favored amending the petition to provide for areawide economic development.

As noted on page 23 of DCED's Final Report on the Fairbanks Consolidation proposal released on this same date, the Petitioners strongly endorsed the approach favored by DCED. DCED also indicated in its Final Report that, upon further reflection, it appeared that the petition called for the maintenance of the status quo regarding bed taxes and economic development. However, after conferring with officials of the FNSB on the matter subsequent to the release of the Final Report, DCED acknowledges that there is indeed ambiguity over the matter.¹ Consequently, DCED recommends that the LBC amend the petition to eliminate the ambiguity. This could be done in one of the two ways outlined in DCED's Preliminary Report on pages 58 and 59. The first option is for the Commission to formally recognize that the bed tax will be exclusively an areawide tax with no exemption for a separate service area levy in the Urban Service Area; and to also amend the petition to provide for the exercise of economic development powers on an areawide basis.

The second option is to amend the petition to clearly provide for the maintenance of the status quo for bed taxes and economic development powers. That is, to provide for the

¹ The petition calls for an areawide bed tax. However, as noted on page 58 of DCED's Preliminary Report, the current bed tax levy of the FNSB is also an areawide tax. The current FNSB bed tax allows an exemption for transactions that are subject to hotel taxes levied by cities within the FNSB. The City of Fairbanks levies an 8% bed tax. However, the pending consolidation petition does not mention the bed tax levy by the City of Fairbanks.

levy of an 8% bed tax in the Urban Service Area and for the exercise of economic development powers on a service area basis within the Urban Service Area.²

For reasons outlined in DCED's Preliminary Report on pages 58 and 59, DCED continues to favor amending the petition to provide for the areawide exercise of economic development powers. Therefore, DCED hereby modifies recommendation number one to the LBC stated on page 39 of its Final Report to read as follows:

1. That the Local Boundary Commission formally clarify that the bed tax levy of the Municipality of Fairbanks would be exclusively an 8% areawide levy and to amend Section 7 on page two of the petition to add the following powers to be exercised on an areawide basis by the Municipality of Fairbanks:

- ◆ Economic Development;
- ◆ Fairbanks Health Center; and
- ◆ Cemeteries.

² Under this alternative, the proposed Municipality of Fairbanks would levy an areawide bed tax of 8% which would exempt transactions subject to taxes levied by city governments in the Municipality of Fairbanks and within service areas.